

# DIRECTIVE

## WORKFORCE INVESTMENT ACT

Number: WIAD04-6

Date: August 24, 2004  
69:113:lh:8405

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: 30 PERCENT EXPENDITURE REQUIREMENT—YOUTH FORMULA FUNDS

### EXECUTIVE SUMMARY:

#### Purpose:

The purpose of this directive is to discuss the Workforce Investment Act (WIA) requirement that, at a minimum, 30 percent of the Youth formula funds expended for Youth program activities be spent on out-of-school Youth program activities. This directive also explains the consequences for not meeting the 30 percent minimum expenditure requirement.

#### Scope:

This directive applies to the WIA Youth formula funds issued to Local Workforce Investment Areas (LWIA) beginning with Program Year (PY) 2001-02. Youth formula funds include those issued to the LWIA as the result of state recapture and reallocation and those issued from federal recapture, reallocation, and reallocation.

#### Effective Date:

This directive is effective immediately and applies to all Youth formula funds beginning with PY 2001-02.

### REFERENCES:

- WIA Sections 101(33) and (39) and 129(c)(4)(A)
- Title 20 Code of Federal Regulation (CFR), WIA Final Rule, Sections 664.300-320

### STATE-IMPOSED REQUIREMENTS:

This directive does not contain any state-imposed requirements.

### FILING INSTRUCTIONS:

This directive finalizes WIA Draft Directive WIADD-73, issued for comment on July 2, 2004. Retain this directive until further notice.

## **BACKGROUND:**

The WIA contains a requirement in Section 129(c)(4)(A) that, at a minimum, 30 percent of Youth formula funds allocated to each LWIA for Youth program activities must be spent on out-of-school youth activities. Out-of-school youth is defined in Section 101(33). The WIA regulations in 20 CFR Section 664.320(a) further refine the requirement by stating that the 30 percent applies to the LWIA's allocation less actual LWIA expenditures from the Youth allocation for administrative purposes. This requirement has been in effect since the beginning of the WIA program even though formal policies or procedures were never issued by the State. This directive is designed to provide the formal process for determining compliance and will supply information as to possible sanctions that may be imposed for failure of a LWIA to meet the 30 percent minimum expenditure requirement for out-of-school activities.

## **POLICY AND PROCEDURES:**

The Workforce Investment Division's (WID) Financial Management Unit (FMU) will determine whether each LWIA has met the 30 percent minimum Youth out-of-school activities expenditure requirement. The FMU will make its determination on the WIA Youth funds issued for each program year. The final determination for each program year's funds will be performed at the end of the two-year life of the Youth formula funds. The FMU will begin application of this procedure on Youth funds issued for PY 2001-02. The Youth formula funds for this program year expired on June 30, 2003. The determination will then be performed after the expiration of each subsequent Youth formula allocation. The next determination will be for PY 2002-03 funds, which expired on June 30, 2004.

### **Determining the Requirement Amount:**

The WIA and the WIA regulations specifically reference that 30 percent of the Youth allocation must be spent on out-of-school youth activities. In general, however, a LWIA will meet the requirement if 30 percent of the LWIA's Youth program expenditures were for out-of-school youth activities.

The FMU will first determine each LWIA's total Youth allocation based on the WIA, the WIA regulations, and the additional guidance provided by the Department of Labor (DOL). The total allocation is, in the simplest case, the funds issued to the LWIA in its subgrant under Grant Code 301. This amount is displayed on Line I.5. of the Summary of WIA Expenditures Report for Grant Code 301. At the end of the two-year life of the Youth formula funds, the total allocation is adjusted by subtracting the actual administration costs (Line III.3.) reported on the June 30th expenditure report for Grant Code 301. The remaining dollar amount for a LWIA that fully spent its allocation (which is also equal to the program dollars spent shown on Line V.3.) is the amount upon which the 30 percent for youth out-of-school activities expenditure requirement determination will be based. The amount reported for out-of-school youth (Line V.2.) must be at least 30 percent of the total program expenditures (Line V.3.).

The following sections discuss how the determination is affected by not fully spending the Youth allocation, reallocation, and recapture.

### For Youth Allocation—Not Fully Spent

The LWIAs that did not fully expend their Youth formula funds will have both the actual administration expenditures and the amount of unexpended funds subtracted from the Youth formula allocation. This amount is equal to the total program expenditures. Thirty (30) percent of this net allocation will determine the minimum dollar amount that must be spent on out-of-school youth activities.

### Adjustment for Reallocations Received

The dollar amount for the 30 percent expenditure requirement is adjusted when a LWIA receives additional Youth formula funding due to reallocation. These funds are allocated by the State to the LWIA under Grant Codes 303 and 304. These reallocations are all “program” funds and may not be used for administrative expenditures. Therefore, no adjustment for administrative expenditures needs to be made on funds reallocated to a LWIA under grant codes 303 or 304. However, 30 percent of the reallocated funds expended will be added to the dollar amount that must be spent on out-of-school youth activities.

### Adjustment for Recaptured Funds

A LWIA that experienced a recapture of its Youth formula funds will have both the actual administration expenditures and the amount recaptured subtracted from the Youth formula allocation. For a LWIA that fully expended its allocation, this net amount is equal to the total program expenditures. Thirty percent of this net allocation will determine the minimum dollar amount that must be spent on Youth out-of-school activities.

### **Meeting the 30 Percent Expenditure Requirement:**

The LWIA can meet its expenditure requirement by using any or all of the Youth formula grant funds allocated to the LWIA for the year of allocation being evaluated. It is not necessary to expend exactly 30 percent from each grant code, as long as the minimum total dollar amount is achieved. The Youth out-of-school activities expenditures used for the determination will be those reported on the June 30th Summary of WIA Expenditures Report (Line V.2.) for Grant Code 301 (and 303 and 304, if applicable). An example for a LWIA that fully expended its allocations is shown below.

Grant Code	Allocation	Administration Expenditure from Youth Funds	Youth Program Expenditures	30 Percent Requirement Amount
301	\$1,000,000	\$90,000	\$910,000	\$273,000
303	\$10,000	NA	\$10,000	\$3,000
304	\$20,000	NA	\$20,000	\$6,000
Total 30 Percent Out-of-School Youth Expenditure Requirement				<b>\$282,000</b>

For this example, the LWIA’s out-of-school expenditure requirement would total \$282,000. If the LWIA spent the total allocation from Grant Codes 303 (\$10,000) and 304 (\$20,000) on out-of-school youth activities, they need to spend \$252,000 from

Grant Code 301 on out-of-school activities to meet the 30 percent minimum expenditure requirement of \$282,000.

**Consequences of Failure to Meet the Expenditure Requirement:**

After the FMU makes the expenditure determination, it will notify, by individual letter, those LWIAs that did not meet the requirement. A LWIA that spent less than 30 percent on out-of-school youth activities conversely would have spent more than 70 percent on in-school youth activities. Any amount over 70 percent spent on in-school youth will be questioned for possible disallowance. The findings will be forwarded to the Department's Compliance Review Division for resolution.

**State Technical Assistance:**

Actual compliance with the Youth 30 percent out-of-school minimum expenditure requirement cannot be determined until the end of the two-year funding period (or after the complete expenditure of the allocation). However, beginning with the PY 2003-04 Youth program allocations, the FMU will perform three preliminary determinations for each LWIA prior to the end of the funding period. These determinations will be conducted based on expenditures as of June 30th of the first year of life of the funds, and the following December 31st and March 31st. Letters will be sent to each LWIA with the results of these preliminary determinations. A copy of each letter will be provided to the WID Regional Advisor assigned to the LWIA. The Regional Advisor will work to assist any LWIA that appears to be in jeopardy of not meeting the 30 percent requirement by the close of the funding period. Additionally, the WID Capacity Building Unit offers training in recruiting, retaining, and training out-of-school youth.

**ACTION:**

Bring this directive to the attention of all appropriate LWIA staff and subrecipients.

**INQUIRIES:**

If you require further information regarding this directive, please contact your [Regional Advisor](#) at (916) 653-6347, or April Grimm, Financial Management Unit, at (916) 653-9150.

/S/ BOB HERMSMEIER  
Chief  
Workforce Investment Division